

# Weekly Market and Economics Roundup

For the week ended 1 November 2013

This Roundup covers critical economic data and publications used by NSW Treasury for monitoring and analysis.

Chart A: Domestic Interest Rates

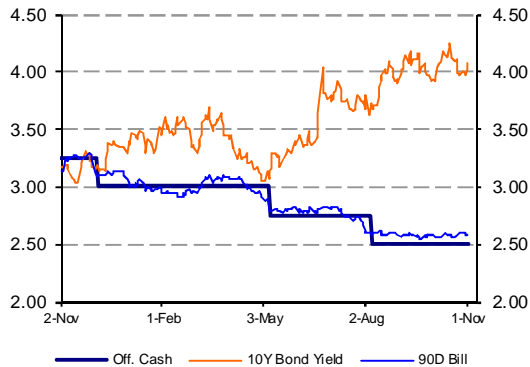


Chart B: Share Price Index

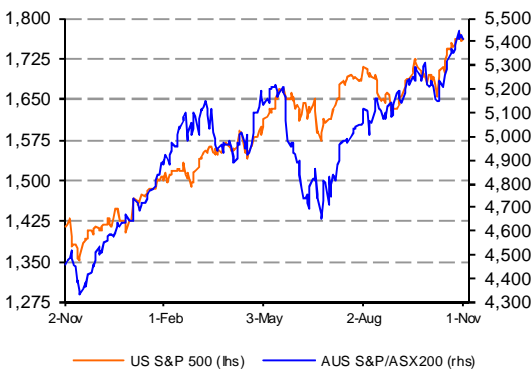


Chart C: Exchange Rate

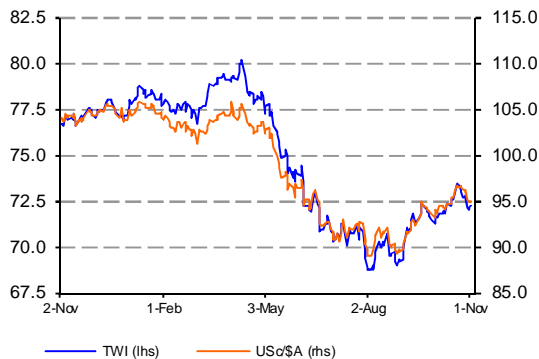
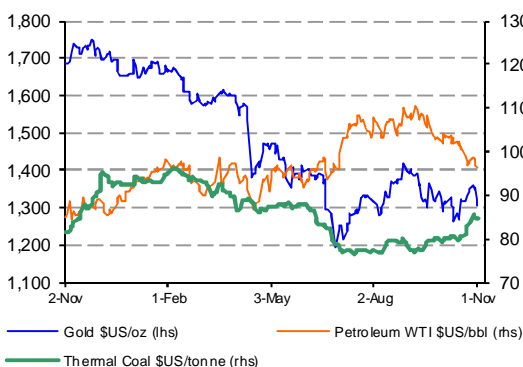


Chart D: Commodities



## Domestic Data Releases

Building Approvals data (number, sa, y%ch) for September showed that the number of **residential approvals** in NSW rose 60.5% approvals nationally were down 18.6%. **Non-Residential approvals** (value, sa, y%ch) were up 39.7% in NSW and 15.8% higher nationally.

**Producer Price Index** data (index, nsa, y%ch) showed the price of final stage commodities increased 1.9 per cent nationally in the September quarter.

- Output prices for total building (index, nsa, y%ch) rose 1.8 per cent in NSW and rose 1.6 per cent nationally.

The **international trade price indexes** (index, nsa, y%ch) showed import prices rose 6.1% and export prices rose 4.2% in the September quarter.

The RBA released **total private sector credit** data (value, sa, y%ch) for September. Credit for housing rose 4.8%, business credit increased 1.1% and other personal credit rose by 1.0%. There was an overall increase of 3.3%.

**New home sales** (number, sa, y%ch) in September increased 69.4% for NSW and rose 37.3% for Australia.

AiG's **Performance of Manufacturing Index** (index, sa) rose to 53.2 in October up 1.5 points from September. A reading above 50.0 shows expansion in the industry and below 50.0 a contraction.

## Markets

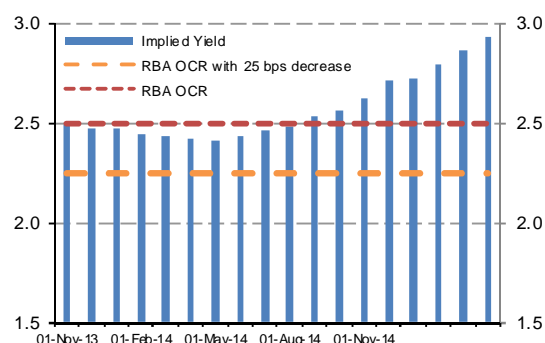
The **Australian stock market** was up 0.5% on the previous Friday, while the **New York stock exchange** rose 0.1%.

|                                 | Value    | Change on Year | Change on Week |
|---------------------------------|----------|----------------|----------------|
| <b>S&amp;P 500</b>              | 1,761.6  | 24.6 %         | 0.1 %          |
| <b>ASX200</b>                   | 5,411.1  | 21.3 %         | 0.5 %          |
| <b>Australian Dollar (USD)</b>  | 0.9481   | -8.8 %         | -1.4 %         |
| <b>TWI</b>                      | 72.20    | -5.9 %         | -0.7 %         |
| <b>Oil (USD/bbl)</b>            | 96.38    | 13.6 %         | -1.5 %         |
| <b>Gold (USD/oz)</b>            | 1,306.75 | -22.4 %        | -3.0 %         |
| <b>Thermal Coal (USD/tonne)</b> | 84.56    | 3.9 %          | 0.8 %          |
| <b>Australian 10-yr bond</b>    | 4.07%    | 89.9 bps       | 9.6 bps        |
| <b>US 10-yr bond</b>            | 2.56%    | 84.0 bps       | 5.0 bps        |
| <b>Australian 90-day bill</b>   | 2.59%    | -54.8 bps      | -0.6 bps       |

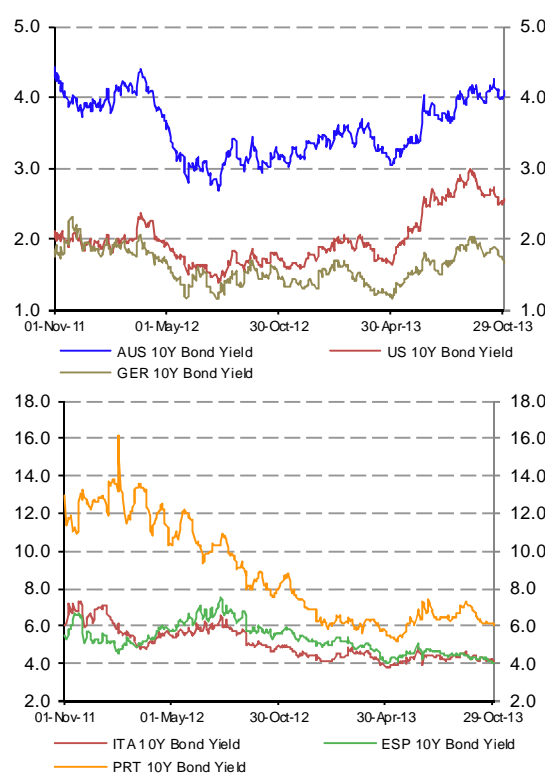
## Upcoming Domestic Data Releases (4/11 – 8/11)

- The ABS will release data on retail sales, the house price index, overseas arrivals & departures, international trade and the labour force.
- The RBA will announce their monthly monetary policy decision and release the minutes to their November meeting.
- ANZ will release their job advertisements series.
- D&B will release their business expectations survey.
- AiG will release their performance of services and performance of construction surveys.

Chart E: Interest Rate Expectations



Charts F & G: International Bond Yields



Market Interest Rate Expectations

Current **market expectations**, as shown by the implied yield curve on ASX 30 day interbank cash rate futures, **favour no change** by the RBA at its next meeting.

According to the **ASX target rate tracker**, as of 1 November, there is a 95% expectation that the RBA will keep the cash rate at 2.50% at its 5 November policy meeting.

International Bond Yield Spreads

| 10-yr bond yield          | Yield | Change on Year | Change on Week | Spread on 10-yr US bond week end | Spread on 10-yr US bond year ago |
|---------------------------|-------|----------------|----------------|----------------------------------|----------------------------------|
| <b>Australian (AUS)</b>   | 4.07% | 89.9 bps       | 9.6 bps        | 151.4 bps                        | 145.5 bps                        |
| <b>United States (US)</b> | 2.56% | 84.0 bps       | 5.0 bps        | - -                              | - -                              |
| <b>Germany (GER)</b>      | 1.67% | 22.1 bps       | -9.5 bps       | -88.7 bps                        | -26.8 bps                        |
| <b>Italy (ITA)</b>        | 4.11% | -76.3 bps      | -10.0 bps      | 155.3 bps                        | 315.6 bps                        |
| <b>Portugal (PRT)</b>     | 6.07% | -222.6 bps     | -6.6 bps       | 350.8 bps                        | 657.4 bps                        |
| <b>Spain (ESP)</b>        | 3.99% | -165.1 bps     | -14.9 bps      | 143.4 bps                        | 392.5 bps                        |

International Data Releases

**US Consumer price index** rose 1.2% through the year to September, down from 1.4% through the year to August.

The **Federal Open Market Committee** in their October meeting decided to leave the federal funds rate unchanged at 0% to 0.25%.

**Retail sales** in the **US** fell 0.1% in September, this result followed growth of 0.2% in August, to be 3.2% higher through the year.

The **Reserve Bank of New Zealand** in their October **monetary policy meeting** decided to leave the official cash rate unchanged at 2.5%.

Upcoming International Data Releases (4/11 – 8/11)

- US: GDP, consumer credit, personal income & spending, unemployment.
- China: retail sales, trade balance, inflation.
- UK: Bank of England monetary policy decision, trade balance.
- Europe: European Central Bank monetary policy decision, retail sales.